

Message Text

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ACTION SP-02

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 MMO-01
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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC PRIORITY 8834

C O N F I D E N T I A L SECTION 1 OF 2 KUALA LUMPUR 5847

FOR S/P DIRECTOR LAKE FROM AMBASSADOR

E.O.11652: GDS
TAGS: EGEN, ECIN, MY
SUBJECT: NORTH-SOUTH STRATEGIES

REF: STATE 191928

1. I APPRECIATE THE OPPORTUNITY TO CONTRIBUTE TO THE INTER-
AGENCY STUDY ON BROAD NORTH-SOUTH STRATEGIES. WHILE I HAVE NOT
BEEN HERE LONG, AND CANNOT SPEAK WITH GREAT AUTHORITY ON THE
OTHER COUNTRIES OF THE REGION, I OFFER THE FOLLOWING THOUGHTS:

2. THE RECENTLY CONCLUDED ASEAN SUMMIT, THE SUBSEQUENT TOP-LEVEL
MEETINGS BETWEEN ASEAN ON THE ONE HAND AND JAPAN, AUSTRALIA AND
NEW ZEALAND ON THE OTHER, AND ASEAN PREPARATIONS FOR ITS CONSUL-
TATIONS WITH THE U.S. IN MANILA NEXT MONTH, ALL POINT UP THE FACT
THAT THE ASEAN NATIONS ARE DEEPLY COMMITTED TO PRESSING THEIR
COLLECTIVE CASE AS DEVELOPING COUNTRIES WITHIN THE CONTEXT OF
THE OVERALL "NORTH-SOUTH DIALOGUE." IN FACT THESE EVENTS SHOW
THAT THE ASEAN COUNTRIES, AS LEE KUAN YEW OBSERVED AT THE SUMMIT,
ARE LIKELY TO FIND GREATER UNITY IN PURSUING THAT DIALOGUE WITH THE
DEVELOPED WORLD THAN IN AGREEING AMONG THEMSELVES ON INTRA-
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REGIONAL COOPERATION. IT SEEMS TO ME, THEREFORE, THAT THE DEVELOPED
COUNTRIES, INCLUDING THE U.S., IN THE PROCESS OF CONDUCTING
THEIR DIALOGUES WITH ASEAN, OUGHT TO LOOK FOR WAYS IN WHICH
ASEAN'S POTENTIAL CAN BE BROUGHT TO BEAR ON OBJECTIVES WE CAN
SUPPORT IN THE BROAD
FORA OF THE NORTH-SOUTH DIALOGUE. THUS,
IN THE U.S.-ASEAN DIALOGUE (AND TO THE EXTENT WE CAN INFLUENCE

THE OTHER PARALLEL DIALOGUES WITH ASEAN--JAPAN AND EEC IN PARTICULAR), THE DISCUSSION SHOULD NOT BE ENTIRELY FOCUSSED ON WHAT THE DEVELOPED COUNTRIES CAN DO FOR ASEAN, BUT EVENTUALLY ALSO ON HOW ASEAN CAN CONTRIBUTE MATERIALLY TO THE NORTH-SOUTH DIALOGUE.

3. ASEAN COUNTRIES THEMSELVES ARE IN VARIOUS STAGES OF DEVELOPMENT, AND FACE DIFFERENT PROBLEMS IN THEIR ECONOMIES. HOWEVER, BOTH INDIVIDUALLY AND COLLECTIVELY THEY REPRESENT AN AREA OF ECONOMIC GROWTH AND/OR POTENTIAL CURRENTLY ALMOST UNPARALLELED IN THE DEVELOPING WORLD. THEY INCLUDE COUNTRIES THAT ARE AMONG THE GREATEST PRODUCERS OF BASIC FOODS AND OTHER COMMODITIES IN THE WORLD (RICE IN THAILAND, PALM OIL IN MALAYSIA, ETC.). THEY ALSO ARE RICHLY ENDOWED WITH OTHER NATURAL RESOURCES - MALAYSIA IS THE WORLD'S LARGEST PRODUCER OF NATURAL RUBBER, TIN AND PALM OIL AND THE LARGEST EXPORTER OF TROPICAL HARDWOODS. INDONESIA IS A MAJOR EXPORTER OF PETROLEUM. THE ASEAN COUNTRIES HAVE CREDENTIALS IN THE OVERLAPPING WORLDS OF LDC'S (GROUP OF 77), OF ISLAM, AND OF NON-ALIGNMENT. THEY PLAY ESSENTIALLY MODERATE AND CONSTRUCTIVE ROLES FROM OUR STANDPOINT. WE NEED TO BE FOUND NOT ONLY TO ASSIST THIS IMPORTANT WORLD ASSET TO DEVELOP ITS OWN POTENTIAL FURTHER, BUT ALSO TO MOBILIZE THE MORE DEVELOPED MEMBERS' POTENTIAL CONTRIBUTIONS TO THE LESS FORTUNATE LDC'S (AND THUS, INDIRECTLY, TO OURSELVES).

4. WE HAVE TWO SUGGESTIONS, ONE AIMED AT THE LOWER END OF THE CONFIDENTIAL

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DEVELOPING NATIONS' SCALE, AND THE OTHER AT ENGAGING THE COMMUNIST WORLD IN THE NORTH-SOUTH DIALOGUE:

(A) MALAYSIA, SINGAPORE, AND OTHER NATIONS IN THE "RAPIDLY DEVELOPING" LDC CATEGORY COULD PLAY AN INCREASINGLY SIGNIFICANT ROLE AS DONOR NATIONS TO THEIR LESS FORTUNATE COLLEAGUES. THE TECHNICAL ASSISTANCE THEY COULD PROVIDE WOULD LIKELY BE PERCEIVED BY RECIPIENTS AS MORE APPLICABLE TO THEIR OWN SITUATIONS THAN THAT EXTENDED BY INDUSTRIALIZED NATIONS IN MANY INSTANCES. MALAYSIA, FOR EXAMPLE, HAS ALREADY OFFERED TECHNICAL ASSISTANCE TO THE SRV AND CAMBODIA IN REHABILITATING THEIR NATURAL RUBBER INDUSTRIES AND FOR THE SRV, TO HELP SET UP AN OIL PALM INDUSTRY. WHETHER MALAYSIA AND ANY OF ITS PARTNERS WOULD BE WILLING TO SHARE TECHNICAL EXPERTISE WITH OTHER LESS ADVANTAGED LDC'S WHO ARE POTENTIALLY MORE SERIOUS COMPETITORS REMAINS TO BE SEEN. AS MAJOR EDIBLE OIL AND RICE PRODUCERS AND EXPORTERS RESPECTIVELY MALAYSIA AND THAILAND, FOR EXAMPLE, MIGHT BE PERSUADED TO EMBARK ON PL-480 TYPE CONCESSIONAL SALES PROGRAMS OF THEIR OWN, ALTHOUGH WE WOULD HAVE TO WORK TO COORDINATE SUCH PROGRAMS WITH OUR OWN PROGRAMS AND DOMESTIC CONCERNS.

(B) MALAYSIA IS INTERESTED IN INVOLVING EASTERN EUROPEAN COUNTRIES,

THE USSR AND THE PRC IN INTERNATIONAL COMMODITY AGREEMENTS.
THESE COUNTRIES ARE, IN SOME CASES, IMPORTANT PRODUCERS AND
CONSUMERS AND THE MALAYSIANS BELIEVE THEIR COOPERATION WOULD
CONSIDERABLY STRENGTHEN ANY AGREEMENT. ALSO, THERE IS SOME
TENTATIVE INTEREST WITHIN THE GOM IN EXPLAINING THE DESIRABILITY
OF HOLDING AN ASEAN-USSR OR ASEAN-COMECON DIALOGUE. WE DO NOT YET
KNOW HOW THIS IDEA WOULD BE RECEIVED BY OTHER ASEAN MEMBERS, OR
FOR THAT MATTER, WHETHER IT WILL BE ULTIMATELY ACCEPTED BY THE
GOM, GIVEN THE USSR'S ANTI-ASEAN STATEMENTS DURING THE SUMMIT
AND THE GOM'S TRADITIONAL SUSPICION OF THE USSR. IF ASEAN
WERE TO MAKE THE REQUEST, IT WOULD BE AN INTERESTING CHALLENGE
TO THE EASTERN EUROPEANS. ON BILATERAL AID, INVESTMENT OR FINANCE,
HOWEVER, MALAYSIA WOULD REFUSE PROGRAMS INVOLVING THE USSR OR
OTHER BLOC COUNTRIES. PAST EXPERIENCE HAS SHOWN THAT THE GOM
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IS EXCEPTIONALLY WARY OF SOVIET ASSISTANCE AND THE SOVIET
"TECHNICIANS" THAT ACCOMPANY IT. MAKING SUCH A PROPOSAL TO THE
GOM MIGHT EVEN BE CONSIDERED TO BE INSENSITIVE TO THEIR STANCE
ON THIS ISSUE.

5. TO SEEK TO ENGAGE MALAYSIA, AND OTHER "RAPIDLY DEVELOPING"
LDC'S, IN SUCH EFFORTS, THE U.S. AND OTHER DEVELOPED COUNTRIES
WILL HAVE TO CONTINUE TO BE RESPONSIVE TO THEIR CORE CONCERNS:
COMMODITIES, TRADE, INVESTMENT, ETC. OUR PARTICIPATION IN THE
5TH INTERNATIONAL TIN AGREEMENT LAST YEAR WAS WELL-RECEIVED BY

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ACTION SP-02

INFO OCT-01 EA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 MMO-01
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P 250936Z AUG 77

FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC PRIORITY 8835

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FOR S/P DIRECTOR LAKE FROM AMBASSADOR

THE MALAYSIANS. ANOTHER EARLY OPPORTUNITY TO INVOLVE THE GOM IN AN EFFECTIVE MANNER WILL OCCUR AT THE UNCTAD MEETINGS ON NATURAL RUBBER IN GENEVA OCT. 10-11, 1977. MALAYSIA, AND OTHER NATURAL RUBBER PRODUCERS SUCH AS INDONESIA AND THAILAND, WILL BE DISCUSSING CONSUMER PARTICIPATION IN A PRICE STABILIZATION SCHEME FOR NATURAL RUBBER. AS THE LARGEST PRODUCER - FOLLOWED BY INDONESIA AND THAILAND - MALAYSIA WILL HAVE A LARGE SAY IN HOW ANY AGREEMENT IS NEGOTIATED AND COMPLETED. AS SEEN BY LAST YEAR'S MALAYSIAN-INSPIRED ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES ANRPC) AGREEMENT AMONG PRODUCERS, THE TYPE OF STABILIZATION SCHEME ENVISIONED, SIMILAR TO THE INTERNATIONAL TIN AGREEMENT, WOULD NOT PROVIDE FOR INFLATED PRICES BUT RATHER STABILIZATION OF PRICES AND GREATER PREDICTABILITY OF EARNINGS AND COSTS FOR BOTH PRODUCERS AND CONSUMERS. IF THE U.S. IS SEEN AS TAKING A STANCE DURING THESE RUBBER NEGOTIATIONS OF WANTING TO REACH AN EQUITABLE AND WORKABLE AGREEMENT WE BELIEVE THAT THE MODERATE LDC'S, IN THIS CASE LED BY THE MALAYSIANS, SHOULD BE PRAGMATIC ENOUGH TO REACH AN EARLY AGREEMENT. BY DOING THIS WE WILL ESTABLISH A PATTERN FOR FUTURE COMMODITY NEGOTIATIONS UNDER UNCTAD AUSPICES AND OTHER INTERNATIONAL FORA. IN THIS MANNER, DEALING WITH MODERATE LDC'S, WE CAN SHOW OUR RESPONSE.

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SIVENESS TO THE DESIRES OF LDC'S WITHOUT ACCEPTING THE POLITICAL INVECTIVE OF THE MORE RADICAL LDC'S.

6. CONCLUSION: WE BELIEVE THAT OUR CURRENT APPROACH OF DIFFERENTIATING BETWEEN LEVELS OF LDC'S IS A VALID MEANS OF INVOLVING MORE DEVELOPED LDC'S SUCH AS MALAYSIA AND SINGAPORE IN A WAY THAT WILL MODERATE DEMANDS AND PROVIDE RESPONSIBLE LEADERSHIP IN THE G-77. THIS COULD RESULT IN A MUCH MORE EFFECTIVE RELATIONSHIP BETWEEN THE NORTH AND SOUTH THAN HAS PREVIOUSLY EXISTED. A FORTHCOMING STANCE ON A NATURAL RUBBER AGREEMENT ON THE PART OF THE U.S. WILL ALLOW MODERATE LDC'S TO POINT TO A SUCCESS STORY AND AN EXAMPLE OF HOW TO APPROACH THEM IN NORTH-SOUTH DIALOGUES IN AN EFFECTIVE MANNER. IF, ON THE OTHER HAND, WE ARE NOT FORTHCOMING TO REASONABLE POSITIONS PUT FORWARD BY MODERATE LDC'S IN MULTILATERAL FORA, THE MODERATES WILL BE FORCED INTO THE RADICAL CAMP AND WILL BE BACKING POSITIONS THE U.S. WILL FIND UNACCEPTABLE. SIMILARLY, IF THE ASEAN COUNTRIES, AND SIMILAR LDC'S, ARE PERSUADED THAT THEIR DIALOGUES WITH WESTERN DEVELOPED COUNTRIES AND JAPAN ARE PROGRESSING SATISFACTORILY, THEY MAY BE RECEPTIVE TO SUGGESTIONS TO ENGAGE THE COMMUNIST COUNTRIES IN SUCH DIALOGUES AS WELL.

7. DEPT REPEAT TO OTHER POSTS IF AND AS DESIRED.
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